

Message Text

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ACTION NEA-12

INFO OCT-01 EUR-25 EA-11 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 *
SS-20 USIA-15 ACDA-19 IO-14 EB-11 COME-00 TRSE-00

OMB-01 SCEM-02 SCI-06 CIEP-02 INT-08 DRC-01 /190 W
----- 082675

R 091022Z DEC 73

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 8255

INFO AMEMBASSY ABU DHABI 0829

AMEMBASSY BANGKOK

AMEMBASSY BEIRUT

AMEMBASSY JIDDA

AMEMBASSY LONDON

AMEMBASSY DOHA

C O N F I D E N T I A L KUWAIT 4273

E.O. 11652: GDS

TAGS: ENRG, QA

SUBJECT: PETROLEUM DEVELOPMENTS IN QATAR

1. DURING RECENT VISIT DOHA, REGIONAL ECONOMIC
OFFICER OBTAINED FOLLOWING INFORMATION FROM VARIOUS
SOURCES, BUT PRIMARILY FROM MANAGING DIRECTOR QPC (AN
IPC AFFILIATE), MANAGING DIRECTOR SHELL QATAR, AND GOQ
DIRECTOR PETROLEUM AFFAIRS ALI JAIDAH:

2. CURRENT PRODUCTION AND EMBARGO: QATAR'S NOVEMBER
PRODUCTION WAS WITHIN FEW THOUSAND BBLS 75 PERCENT
SEPTEMBER PRODUCTION. EMBARGO ON SHIPMENTS TO US AND
HOLLAND BEING STRICTLY OBSERVED, AND SINCE THESE
COUNTRIES ACCOUNTED FOR APPROX. 40 PERCENT SEPTEMBER
PRODUCTION, COMPANIES HAVE SMALL EXCESS (ABOUT 90,000 BPD)
TO DIVERT OTHER CUSTOMERS. THIS DIVERSION CURRENTLY
ENTIRELY IN HANDS COMPANIES AND BEING CONTROLLED FROM
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LONDON. TO DATE THERE NO RPT NO GUIDANCE FROM GOQ RE
DESTINATION NON-EMBARGOED SHIPMENTS, OTHER THAN REQUIRE-

MENT FOR COMPANIES SUBMIT MONTHLY DESTINATION REPORTS.

3. ESTIMATED DECEMBER PRODUCTION: COMPANIES' PRE-DICTIONS VARY REGARDING GOQ DECEMBER INTENTIONS. TO DATE NO NEW INSTRUCTIONS RECEIVED, SO COMPANIES CONTINUING AT 75 PERCENT SEPTEMBER PRODUCTION. IT SEEMS CLEAR EITHER NO RPT NO NEW CUT WILL BE FORTHCOMING OR CUT WILL BE MINIMAL. JAIDAH SAID QATAR WILL FOLLOW SAUDIS LEAD, BUT HE EXPECTS THAT DECEMBER INSTRUCTIONS WILL BE TO MAINTAIN HOLLAND, US EMBARGO, MAINTAIN SHIPMENTS TO OTHER EEC COUNTRIES AT NOVEMBER LEVELS, AND CUT SHIPMENTS ALL OTHER DESTINATIONS BY 5 PERCENT FROM NOVEMBER LEVELS. SINCE MOST OF QATAR'S PRODUCTION CURRENTLY GOING TO EUROPE (WITH NOTABLE EXCEPTION ABOUT 45,000 BPD TO THAILAND), TOTAL EFFECT ON DECEMBER PRODUCTION WOULD BE MINIMAL, PERHAPS ONE PERCENT. SHOULD BE BORNE IN MIND THAT PRACTICE OF OIL COMPANIES IN QATAR IS TO AWAIT WRITTEN GOQ INSTRUCTIONS, THEN FOLLOW THEM TO THE LETTER. THUS MUCH DEPENDS ON PRECISE WORDING INSTRUCTIONS.

4. KOCH OIL COMPANY: GOQ CONTINUES HONOR AGREEMENT WITH US-OWNED KOCH, GIVING KOCH RIGHT TO BUY ALL PARTICIPATION CRUDE. KOCH CHARTERED TANKERS CONTINUE TO LOAD, WITH ONLY PROVISIO BEING THAT HOLLAND, US EMBARGO APPLIES. IT NOT KNOWN AT THIS END WHERE KOCH DIVERTING ITS CRUDE, SINCE KOCH'S ORIGINAL INTENTION WAS TO SHIP IT ALL TO US.

5. ROYALTY CRUDE: TO DATE QATAR TAKING TAXES AND ROYALTIES IN CASH, HOWEVER BOTH COMPANIES PREDICT REQUEST PROBABLY WILL BE MADE EARLY NEXT YEAR FOR AT LEAST PART BE PAID IN CRUDE. JAIDAH WOULD ONLY SAY MATTER UNDER STUDY, KEY POINT BEING GOQ'S ESTIMATE PRICE IT COULD RECEIVE FOR ROYALTY CRUDE ON OPEN MARKET. NOTE: KOCH AGREEMENT COVERS PARTICIPATION CRUDE ONLY AND NOT RPT NOT ROYALTY CRUDE.

6. PARTICIPATION: THERE NO RPT NO REAL EAGERNESS IN QATAR REOPEN PARTICIPATION QUESTION, ALTHOUGH PROGRESS KUWAIT.

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COMPANY TALKS BEING FOLLOWED CLOSELY. IT WIDELY AND CONFIDENTLY EXPECTED THAT QATAR WILL FOLLOW SAUDIS LEAD THIS QUESTION. QPC DIRECTOR NOTED THAT IMPLEMENTATION AGREEMENT TO TEHRAN AGREEMENT HAS NOT BEEN SIGNED (CONTRARY TO WHAT HAS BEEN REPORTED ELSEWHERE), AND THERE HAVE BEEN NO FURTHER DISCUSSIONS OR NEGOTIATIONS FOR COUPLE MONTHS.

7. WHAT NEXT? SHAIKH KHALIFA TAKES ARAB CAUSE AND "OIL WEAPON" VERY SERIOUSLY; ON OTHER HAND HE CONCERNED ABOUT

MAINTAINING QATAR'S ECONOMIC GROWTH AND DOESN'T WANT DELVE
INTO FINANCIAL RESERVES OR BORROW TO DO SO. CURRENT BEST
GUESS IS THAT KHALIFA WOULD BE WILLING CUT PRODUCTION UP
TO 50 PERCENT BUT WOULD RESIST DEEPER CUT. REGARDING
EVENTUAL RESTORATION SEPTEMBER PRODUCTION, WE SURE
QATAR WILL FOLLOW SAUDI ARABAI. J*IDAH ALSO CONFIRMED
THAT STUDY STILL UNDER WAY REGARDING FUTURE PRODUCTION
CUT-BACK ON ECONOMIC GROUNDS, BUT HE DENIED THERE ANY
CONNECTION BETWEEN CURRENT CUT-BACK AND POSSIBLE FUTURE
CUT. SAID CURRENT CUT STRICTLY POLITICAL, AND ECONOMIC/
CONSERVATION DECISION NOT YET TAKEN.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM PRODUCTION, EMBARGOES, FOREIGN POLICY POSITION
Control Number: n/a
Copy: SINGLE
Draft Date: 09 DEC 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973KUWAIT04273
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: n/a
From: KUWAIT
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731235/aaaaazva.tel
Line Count: 127
Locator: TEXT ON-LINE
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 03 JAN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03-Jan-2002 by boyleja>; APPROVED <15-Jan-2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PETROLEUM DEVELOPMENTS IN QATAR
TAGS: ENRG, QA
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005